

Message Text

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PAGE 01 PEKING 00273 150454Z

44

ACTION EA-14

INFO OCT-01 ISO-00 NSC-10 NSCE-00 SS-20 SPC-03 SAM-01 L-03

H-03 PA-04 PRS-01 USIA-15 CIAE-00 INR-10 NSAE-00

RSC-01 STR-08 EB-11 COME-00 OMB-01 TRSE-00 SAI-01

DRC-01 /108 W

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R 150410Z FEB 74

FM USLO PEKING

TO SECSTATE WASHDC 1380

INFO AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: ETRD, BTRA, CH

SUBJECT: VISIT OF J.C. PENNEY BUYERS TO CHINA

1. A TEAM OF FIVE J.C. PENNEY EXECUTIVES WERE IN PEKING FROM FEBRUARY 6 TO 14 NEGOTIATING THE PURCHASE OF CLOTH AND GARMENTS. THE GROUP, WHICH IS HEADED BY G.R. HOGENSON, VICE PRESIDENT AND GENERAL MERCHANDISE MANAGER OF APPAREL, AND ROBERT BOULOGNE, DIRECTOR OF INTERNATIONAL BUYING, ARE ALSO STOPPING IN SHANGHAI AND CANTON FOR FURTHER NEGOTIATIONS WITH THE BRANCHES IN THOSE CITIES OF THE CHINA NATIONAL TEXTILES IMPORT AND EXPORT CORPORATION.

2. IN DISCUSSIONS WITH USLO, THE PENNEY GROUP REPORTED THAT THE PEKING PORTION OF THEIR TRIP WAS MOST SUCCESSFUL, EXCEPT FOR A PROBLEM OVER LABELING OF GARMENTS. PENNEY WANTED ONLY THEIR LABELS (WHICH WOULD INDICATE MADE IN THE PRC) INSERTED IN THE GARMENTS. THE CHINESE REFUSED, BUT SUGGESTED THAT EACH GARMENT HAVE TWO LABELS, ONE INDICATING A CHINESE BRAND NAME, AND THE OTHER BEING J.C. PENNEY. THIS PROPOSAL, WHICH WE UNDERSTAND IS PRACTICED IN EXPORTS OF SOME CHINESE GARMENTS TO CANADA, WAS RELUCTANTLY ACCEPTED BY

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PAGE 02 PEKING 00273 150454Z

PENNEY.

3. PENNEY'S PRINCIPAL CONCERN IS OVER THE NEED TO BE CERTAIN THAT CHINESE BRAND NAMES, SOME OF WHICH ARE VERY COMMON WORDS, ARE NOT ALREADY REGISTERED IN THE UNITED STATES. THE PENNEY EXECUTIVES FEEL THEY WILL FIRST HAVE TO CONDUCT A SEARCH IN ORDER TO PROTECT THEIR COMPANY FROM LEGAL COMPLICATIONS, AND THEY HAVE TAKEN FROM THE CHINESE A NUMBER OF ALTERNATE POSSIBLE CHINESE BRAND NAMES IN CASE SUBSTITUTES ARE NEEDED FOR THOSE TENTATIVELY AGREED UPON.

4. THE PENNEY EXECUTIVES URGED THAT WE HERE IN PEKING AND THAT US OFFICIALS IN WASHINGTON FIND SOME APPROPRIATE OPPORTUNITY TO DISCUSS THE MATTER WITH OUR CHINESE COUNTERPARTS. THEY ARE CONCERNED THAT THE CHINESE MAY NOT APPRECIATE PENNEY'S NEED TO CONDUCT A SEARCH, AND WANT TO AVOID ANY MISUNDERSTANDING IN THE EVENT THAT PENNEY MUST INFORM THEM THAT FOR REASONS OF PRIOR REGISTRATION THEY CANNOT ACCEPT CERTAIN CHINESE BRAND NAMES.

5. WE DO NOT KNOW IF THE PROBLEM OF SEARCH AND PRIOR REGISTRATION WILL BE AS SERIOUS AS PENNEY BELIEVES, AND WOULD APPRECIATE ANY ADVICE STATE OR COMMERCE CAN PROVIDE. IN ANY EVENT, WE THINK IT WOULD BE A GOOD IDEA FOR STATE OR COMMERCE TO DISCUSS PENNEY'S CONCERNS WITH PRCLO. WE CAN ALSO RAISE THE MATTER HERE AT AN APPROPRIATE OPPORTUNITY.

6. AN INTERESTING FEATURE OF THE PENNEY VISIT IS THE SIZE OF THE GROUP. ONE OF THE POINTS WHICH WILLIAM BATTAN, THE PENNEY CHAIRMAN, MADE TO THE CHINESE DURING HIS VISIT HERE WITH THE NATIONAL COUNCIL FOR US-CHINA TRADE DELEGATION IS THAT THEY SHOULD INVITE TEAMS OF BUYERS, NOT JUST A SINGLE BUYER, FROM THE LARGE AMERICAN FIRMS.

7. WE URGED THE PENNEY GROUP TO CONTACT STARBIRD OR PERITO AT THE CONVENIENCE WHEN THEY ARRIVE IN HONG KONG. ASIDE FROM THE COMMERCIAL ASPECTS OF THEIR VISIT, THEY MAY HAVE SOME IMPRESSIONS ABOUT THE ATMOSPHERICS IN SHANGHAI AND CANTON. THE PENNEY TRIP TO SHANGHAI WAS DELAYED A COUPLE OF DAYS, PRESUMABLY BECAUSE OF CURRENT POLITICAL CAMPAIGN ACTIVITY IN THAT CITY, AND THEN ALLOWED TO PROCEED. (DIPLOMATS IN PEKING LIMITED OFFICIAL USE

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PAGE 03 PEKING 00273 150454Z

ARE STILL UNABLE TO OBTAIN PERMISSION TO VISIT SHANGHAI).
JENKINS

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Disposition Case Number: n/a
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